Booms and Lies

01-19-18

Jeffrey Snider of Alhambra Investments has been consistently negative regarding mainstream claims of a recovery. To buttress his arguments he presents an historical account of the data. It's very convincing, and yet the mainstream financial media is constantly presenting wildly positive reports of robust growth. In a recent article, 'The Blatant Dishonesty of the Boom' he goes so far as to cite (not seriously, I hope) a neurological study in which a group was ask to evaluate attractiveness under MRI observation. Those that deviated from group think demonstrated a re-adjustment of brain function. A kind of real changing of ones mind.

It's obvious that constant repetition of lies by authoritative sources will tend to be accepted by many. But are they really believed? Snider has in the past noted that things like Trump and Brexit don't happen if people really believe that good times have arrived. When desperate times struck in 2008 central banks had no quick remedy other than stimulate the financial sector. They created a financial boom on top of a moribund real economy and the mass media did all it could to merge the two into a real recovery. But the many political shocks demonstrate that they haven't convinced the masses. As the world wide asset boom reaches an insane degree of irrationality even the mainstream is disturbed – Wouldn't they love to have just steady easier to believe markets. Such a discordance with reality will eventually end. And when there is another slump that same mainstream will have to assert that it came after years of prosperity. But the masses feel they have gone through years of misery not prosperity. And in the next slump they will not want to hear that the minimal bouncing along the bottom was their respite between slumps. Historical events may repeat themselves but human reaction to them will not be identical. They may accept a well-spaced war but too many lasting too long will signal disapproval. Another slump on top of the everlasting last one may lead to a world historic break with the machinery of lies – where they cannot even be stated without making conditions worse.

Much attention is given to American rating agencies, Moody's, Standard and Poors, and Fitch when they lower the rating of a nation's sovereign debt. Last year Moody's and Standard and Poors lowered China's rating to A- because of its high debt. But China's Dagong Global's cut of America's rating (once as high as AA in 2010) to A- with a negative outlook following the gigantic debt increasing tax cut has been largely ignored. This despite China being the largest holder of

American Treasuries ($1.19 trillion) and recent reports that China intends to lower its purchases. Yesterday yield on Treasuries climbed well above 2.6%.

China's Foreign Direct Investment in the US fell by 35% last year. The reasons were stricter controls on monetary outflows, government intervention because of security reasons, and trade tensions between the two countries. But a decline of about one third was worldwide, the first decline since 2006. Only in Europe was there an increase. That was due solely to the completion of the $43 billion purchase of Syngenta

http://unrealeconomy.org